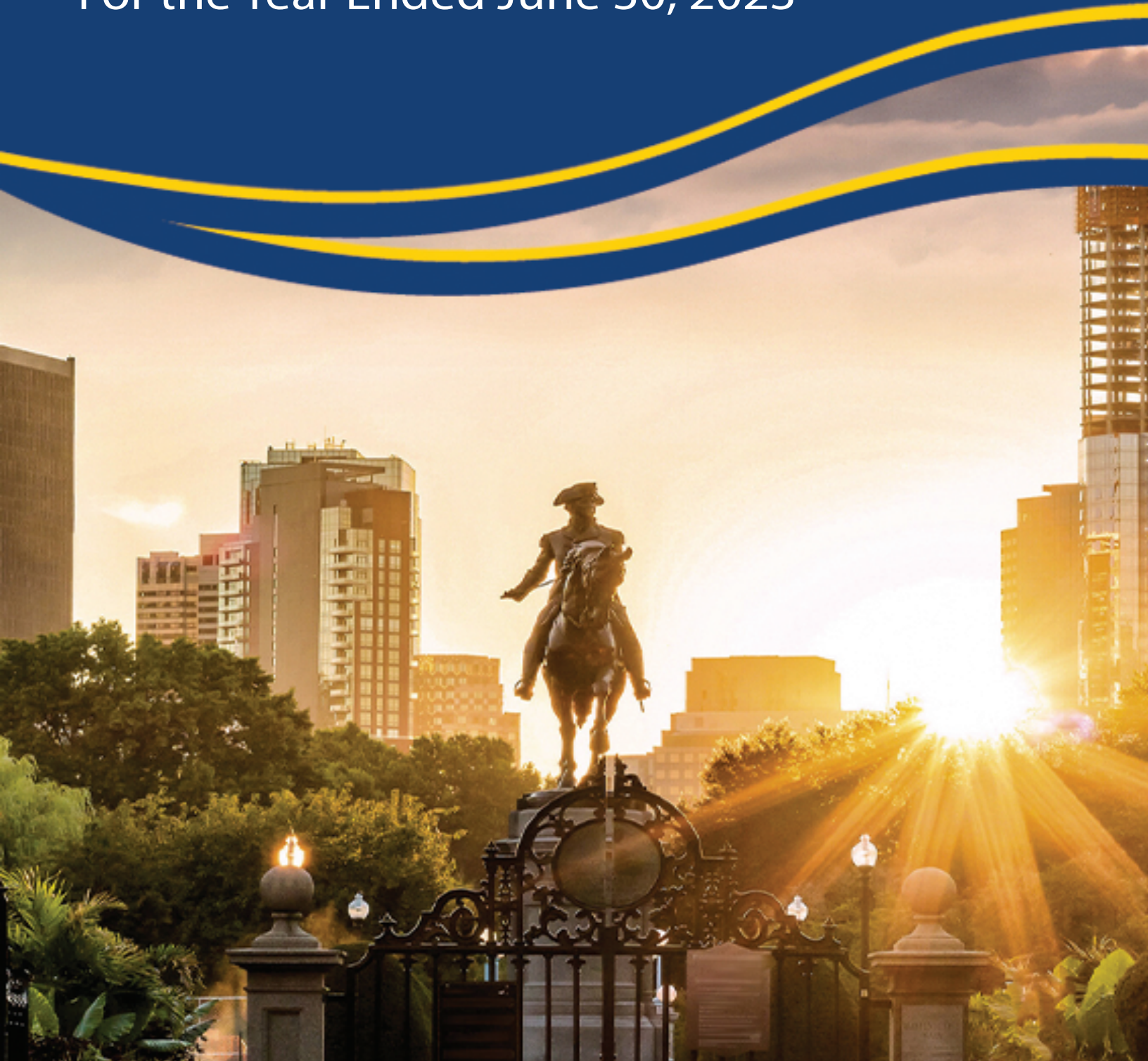


Massachusetts State Retirement Board

Annual Report

For the Year Ended June 30, 2023



YOU SERVE THE COMMONWEALTH. WE SERVE YOU.

2023 Annual Statement of the Financial Condition for the Massachusetts State Employees' Retirement System

To the Executive Director of the Public Employee Retirement Administration Commission of
the Commonwealth of Massachusetts for the Period Ended June 30, 2023

State Retirement Board

Deborah B. Goldberg

Treasurer and Receiver General, Chair

Theresa McGoldrick, Esq.

Elected Member

Francis Valeri

Elected Member

Maureen Valente (deceased)

Former Appointed Member

Archibald (Archie) Gormley

Chosen Member

Main Office

One Winter Street, 8th FL

Boston, MA 02108

Phone: 617-367-7770

Toll Free (within MA): 1-800-392-6014

Regional Office

436 Dwight Street, Room 109A

Springfield, MA 01103

Phone: 413-730-6135

mass.gov/retirement

Table of Contents

| | |
|--|-----------|
| Public Pension Award | 1 |
| Board Certification..... | 2 |
| About the System | 4 |
| 2023 Fiscal Year in Review | 5 |
| Members of the Board..... | 9 |
| State Employees' Retirement System Staff | 10 |
| Membership Information..... | 11 |
| Financial Statements of the State Employees' Retirement System | |
| PRIM Board | 13 |
| PRIT Capital Fund Core Asset Allocation | 14 |
| Annual Statement Balance Tests | 15 |
| Assets and Liabilities | 16 |
| Statement of Funds Flow | 17 |
| Receipts | 18 |
| Disbursements..... | 19 |
| Investment Income..... | 20 |
| Schedule A | 21 |
| Schedule No. 1, Cash Account Activity During Year | 22 |
| Schedule No. 5, Schedule of Pooled Funds..... | 23 |
| Schedule No. 7, Summary of Investment Related Fees | 24 |
| Annuity Reserve Fund Interest Calculation..... | 25 |
| Financial Statements of the Massachusetts Turnpike Authority Employees' Retirement System | |
| Annual Statement Balance Tests | 27 |
| Assets and Liabilities | 28 |
| Statement of Funds Flow | 29 |
| Receipts | 30 |
| Disbursements..... | 31 |
| Investment Income..... | 32 |
| Schedule A | 33 |
| Schedule No. 1, Cash Account Activity During Year | 34 |
| Schedule No. 5, Schedule of Pooled Funds..... | 35 |
| Schedule No. 7, Summary of Investment Related Fees | 36 |
| Annuity Reserve Fund Interest Calculation..... | 37 |
| Notes on Financial Statements..... | 38 |



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2023***

Presented to

Massachusetts State Employees' Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, appearing to read 'Alan H. Winkle'.

Alan H. Winkle
Program Administrator

Annual Statement for the Year Ended June 30, 2023 of the Conditions and Affairs of the State Employees' Retirement System

Organized under the Laws of the Commonwealth of Massachusetts to the
PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

By Chapter 532 of the Acts of 1911

Administration Office

One Winter Street, Boston, MA 02108 Telephone Number: (617) 367-7770

We, the undersigned, members of the Board of Retirement of the STATE EMPLOYEES' RETIREMENT SYSTEM certify under the penalties of perjury, that we are the official board members of said retirement system, and that assets were the absolute property of said retirement system, free and clear from any liens or claims thereon, except as stated, and the following statements, with the schedules and explanations therein contained, annexed, or referred to, are a full and correct exhibit of all the assets, liabilities, income of the said retirement system on the said thirtieth day of June last, and for the fiscal year ended on that date, according to the best of our information, knowledge and belief, respectively.

Massachusetts State Retirement Board

Ex-officio Member

Deborah B. Goldberg (Chair)

(Signature)

Appointed Member

Maureen Valente

(Deceased, June 11, 2023)

Elected Member

Theresa McGoldrick, Esq.

Term Expires April 30, 2024

(Signature)

Elected Member

Francis Valeri

Term Expires January 1, 2026

(Signature)

Member Appointed By

Other Members

Archibald (Archie) Gormley

Term Expires March 25, 2024

(Signature)

Investment Manager

PENSION RESERVES INVESTMENT MANAGEMENT BOARD

84 State Street

Suite 250

Boston, MA 02109

Investment Consultant

PENSION RESERVES INVESTMENT MANAGEMENT BOARD

84 State Street

Suite 250

Boston, MA 02109

SECTION 1

About the System



About the System

The Massachusetts State Employees' Retirement System ("MSERS") is a contributory defined benefit retirement plan governed by Massachusetts General Law, Chapter 32. The MSERS was created under Chapter 532 of the Acts of 1911 and covers all eligible state employees and employees of certain other public entities. The MSERS is qualified by the United States Internal Revenue Service.

The State Board of Retirement ("Board") manages the MSERS operations and also administers the former Massachusetts Turnpike Authority Employees' Retirement System ("MTAERS"). The MSERS and MTAERS assets are invested and managed separately by the Pension Reserves Investment Management ("PRIM") Board.

The Board consists of five members: The Chair is the Treasurer and Receiver General, two elected members, an appointed member and a fifth member chosen by the other four members. The MSRB is a multi-generational and diverse department within the Office of the State Treasurer with a staff of more than 90 full-time, part-time and contract employees. Board offices are located in Boston and Springfield.

As of June 30, 2023, the Board is responsible to 91,739 active members and 68,582 retirees or beneficiaries. The MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries.

The Board's primary mission is the support of our active and retired members through the successful and accurate administration of pension and related benefits. This mission touches almost every current state employee and retiree in one form or another. Board responsibilities include educating and supporting members regarding their

benefits, enrolling members, processing retirement applications timely, ensuring correct contributions are received, refunding, transferring, or rolling over contributions of those who leave state service, processing creditable service purchase applications, and survivor benefits applications.

Most members become vested for retirement benefits after ten full-time years of creditable service. Generally, for those who became Group 1 members before April 2, 2012 a superannuation retirement allowance (service retirement) may begin at age 55 with the completion of ten years of creditable service or at any age upon the completion of twenty years of full-time creditable service. Members hired after April 2, 2012 must be at least age 60 and have completed ten years of creditable service. Retirement for certain hazardous duty and public safety positions may occur at an earlier age. Different eligibility rules and benefit formulas apply to those who became members of the MSERS on or after April 2, 2012. As of January 1, 2023, there were approximately 48,900 members hired after April 1, 2012.

The maximum retirement allowance benefit is 80% of a member's highest consecutive three-year average annual rate of regular compensation if hired prior to April 2, 2012, or a consecutive five-year salary average if hired thereafter. Benefit payments are based on a member's age, length of creditable service, level of compensation and group classification.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. Employees who resign from state service are entitled to request a refund of

their accumulated total deductions.

Members with less than ten years of creditable service who voluntarily resign from state service will receive their contributions plus 3% interest. Members with more than ten years of creditable service or who are involuntarily terminated will receive a return of their deductions plus the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

2023 Fiscal Year in Review

Board Operations

The hybrid work arrangement has continued in accordance with Treasury policy although subject to management discretion in office coverage ranges from two to five days a week.

During the 2023 fiscal year, the Board issued benefit and annuity payments to retirees and survivors totaling more than \$2.83 billion. MSRB staff processed over 2,905 new retirements, and over 3,861 member refund / rollover requests.

The MSRB's accelerated first payment program is ongoing and 1,200 accelerated payments were processed with a total of approximately \$16 million in retroactive benefits. The accelerated payment is retroactive to the retirement date and paid mid-month to the new retiree prior to the member's regular payment at month's end.

Actuarial Valuation Results

In October 2023, the Board received the January 1, 2023 MSERS actuarial valuation prepared by PERAC. Each year, the Commonwealth establishes a schedule and appropriates funding based on the prior year's valuation results. The FY 2024 appropriation is \$4.105 billion. The

total appropriation under the schedule increases by 9.63% annually until FY28. Starting in FY29, the remaining Unfunded Actuarial Liability ("UAL") is amortized on a 4.0% annual increasing basis to FY36. The MSERS share of the FY24 Commonwealth appropriation is \$1.471 billion. The following principal results of the January 1, 2023, actuarial valuation are as follows:

- A 7.0% investment return assumption was used and has been consistent since January 1, 2021. Since 2013, there have been several decreases in the assumption.
- The total normal cost was \$1,080,315, which is an increase of \$63,947 million from the previous year's valuation.
- The funded ratio was 71.3%, a decrease of 1.6% from the previous year; The actuarial liability was \$49.2b, and the actuarial value of plan assets was \$35.1b. The difference between the liabilities and assets is the unfunded actuarial liability or UAL of approximately \$14.b.
- The average retirement benefit was reported at \$41,005, an increase of \$1,403 from the previous year.
- The valuation on January 1, 2023, reports 87,554 active members (an increase of 1,555 since 2022) and 69,167 retirees and beneficiaries receiving benefits (a decrease of 887 since 2022).
- It is important to note that plan assets have grown faster than plan liabilities. As stated in the valuation report, starting on January 1, 1990, through January 1, 2023, "actuarial liabilities have grown 6.6 times over this period (49.2B/\$7.5B). But assets have grown 9.5 times over this same time period (35.1B / \$3.7B)."

Supplemental Pension Funding

Chapter 126 of the Acts of 2022 provided a total of \$100m in supplemental pension funding from the Commonwealth as part of the legislation enacted. Over the course of the fiscal year, the MSERS received approximately \$40.9m and Massachusetts Teachers Retirement System ("MTRS") received approximately \$59m which are in proportion to each system's membership.

Additionally, M.G.L. c. 29, §5G requires that capital gains tax revenue in excess of the fiscal year capital gains tax threshold be transferred as follows: (i) 90% to the Commonwealth Stabilization Fund; (ii) 5% to the State Retiree Benefits Trust Fund (SRBTF); and (iii) 5% to the Commonwealth's Pension Liability Fund (PRIT). As a result the Commonwealth Pension Fund received \$41.6m divided proportionally between the MSERS and MTRS.

Member and System Administration

1099-R Forms for Calendar Year 2022

A vendor was selected in accordance with the Commonwealth's procurement process and approved by the Board to print and mail the required 1099-R form to those members who received a pension allowance in calendar year 2022. RR Donnelly performed the services and the process was completed timely and within budget.

Benefit Verification

The benefit verification process was completed April 2023 for retiree accounts as of December 31, 2021. This bi-annual process is conducted by a vendor selected in accordance with the Commonwealth's required procurement process and approved by the Board who completed the job timely and within budget. Fowler Printing and Graphics was selected in November 2022. In summary, 66,620 Benefit Verification Forms were mailed to

pension benefit recipients, three reminder mailings were sent to members, and the process involved random testing to satisfy audit requirements. At the close of the process there were 76 accounts that were suspended due to not receiving the member's signed and witnessed form as required.

Member Annual Statements

The Member Annual Statement is issued to each active member of the MSERS. As of December 31, 2022, there were 86,038 members with an annuity account balance. In July 2023, a statement was mailed to each member for the calendar year 2022. Standard Modern was selected in accordance with the Commonwealth's procurement process and approved by the Board. The statements were issued timely and within the approved budget.

MSRB Outreach

The MSRB Communications Unit completed 123 webinars with 6,903 members attending. More than 52,749 benefit recipients subscribe to the monthly electronic **MSRB Retiree eNews Bulletin**. The office continues with onsite in-person and virtual counseling sessions.

Internal Control Questionnaire

Annually, MSRB is required to participate in the Office of the Comptroller's Internal Control Questionnaire. MSRB participated in this requirement to report on controls of MSERS as of June 30, 2023. The requirements are in accordance with guidelines established by the Office of the Comptroller. This requirement is under the authority of The Control Act, Chapter 647 of the Acts of 1989.

Fiscal Year 2023 Finance Reporting - Independent Audit

Earlier this spring we were notified by the Office of the State Comptroller of the start of the Commonwealth's Annual

Comprehensive Financial Report, which is a report of the Commonwealth's financial condition in accordance with Generally Accepted Accounting Principles ("GAAP"). This includes the State Employees Retirement System ("SERS") and MTAERS for the fiscal year 2023. Included are the necessary schedules of pension allocations in accordance with GASB 68, Accounting and Financial Reporting for Pensions. As a multi-employer cost sharing defined benefit plan, participating employers must record their allocated shares of SERS Net Pension Liability (Unfunded Pension Liability) deferrals, and pension expense on their financial statements.

Over the last few months, we have participated at great length with Clifton Larson Allen ("CLA") and Comptroller Management in entrance meetings, unit meetings, and manager interviews. The testing of transactions were done and we furnished reports and financial records for the period July 1, 2022 through June 30, 2023. As of November, the audit is in the final phase and we anticipate a report to be issued in 2024.

Board Updates

- **COLA Approved**

The FY 2024 state budget was signed into law, including the retiree COLA (Cost-of-Living Adjustment). For eligible members who retired before July 1, 2022, the legislatively approved COLA provided a 3% increase of the first \$13,000 of their annual benefit paid in monthly installments, effective July 1, 2023, for a maximum increase of \$390/ year.

- **Legislation**

Several MSERS-sponsored technical proposals were filed for consideration during the 2023-2024 Legislative Session. These bills are currently before the Joint Committee on Public Service. Separately,

the Legislature enacted two measures impacting some MSERS members. Chapter 57 of the Acts of 2023 was enacted relative to the judicial retirement law and Section 82 of c. 28 of the Acts of 2024 affected members who worked after age 70.

Further, other bills filed (or refiled) in the 2023 legislative session by PERAC and legislators are being monitored since they will have impact to MSERS and are as follows:

House 9 – An Act Relative to Pension Forfeiture

House 10 – An Act Relative to the Recovery of Overearning

House 11 – An Act Relative to Modifications of Retirement Allowance

House 12 – An Act Relative to Accidental Disability and Group 1 Emotional Distress

House 13 – An Act Providing for Statement of Financial Interests Flexibility

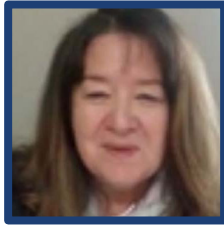
House 14 – An Act Provide for Payment of Creditable Service

House 15 – An Act Clarifying the Chapter 32 Definition of Wages

House 2588/S 1691 – An Act to Protect Pay Equity

House 2627/S 1750 – An Act Relative to Veterans' Buyback

- Maureen Godsey Valente, State Retirement Board Member



The State Retirement Board mourned the passing of Board Member Maureen Godsey Valente, who passed away on June 11, 2023. Treasurer Deborah Goldberg appointed Ms. Valente to the Board in April 2022.

Ms. Valente was passionate about public service and had a broad range of public sector positions. She recently served as Chief Executive Officer of the Massachusetts School Building Authority, worked as a consultant, and taught public administration courses at Suffolk University. Prior service included assistant treasurer, treasurer, finance director, town manager in Concord, Lexington, and Sudbury, and the International City/County Management Association in Washington, D.C.

As a Board Member, Ms. Valente was engaged and interested in the subject matter and was thoroughly prepared for each Board meeting. She was practical and analytical but had a great sense of what mattered to the members. She represented the Commonwealth professionally and honorably. She often availed herself to the staff and shared her knowledge. Ms. Valente was genuine, warm, and thoughtful.

On behalf of the Massachusetts State Retirement Board, we recognize Maureen Godsey Valente for her outstanding service. She is sorely missed. Our deepest sympathies to her husband, Carl, children, and grandchildren.

- Nicola Favorito

Nicola "Nick" Favorito resigned after nearly 20 years of service as the Executive Director of the Massachusetts State Retirement Board ("MSRB"). Mr. Favorito served under State Treasurers Timothy Cahill, Steven Grossman, and Deborah Goldberg. We greatly appreciate Nick's dedication and commitment. During his stewardship, he was integral in modernizing the recordkeeping system to safeguard members' accounts and enhance the level of professionalism at MSRB. He worked closely with the Board, legislature, judiciary, executive branch, and agencies across the Commonwealth. Nick defines public service, and with his legal and business experience, he worked tirelessly to deliver the highest quality of service to the employees of the Commonwealth. Nick's leadership and collegiality were a cornerstone of his success. His knowledge is unmatched in the industry, and with gratitude, we thank him for his generosity of time, support, and expertise. The Board, MSRB, and Treasury teams bid farewell and good fortune to Nick in his professional endeavors.

Kathryn Kougias was appointed as Executive Director of the State Board of Retirement in January, 2023 and Sandor Zapolin was appointed as Deputy Executive Director/ Chief Operating Officer in June, 2023.

Board Award

The Board is the recipient of the 2023 Public Pension Standards Award in recognition of its high standards in plan design and administration.

Respectfully Submitted,

Kathryn Kougias
Executive Director
State Board of Retirement

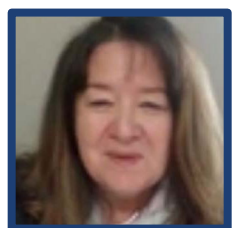
Members of the Board

Membership and tenure in the five member State Board of Retirement is determined by Massachusetts General Laws Chapter 10 section 18. The Treasurer is the member ex-officio and serves as Chair; one member is appointed by the Treasurer; two members are elected by current and active members of the State Employees' Retirement System, and one member is chosen by the other members of the Board.



Deborah B. Goldberg, Chair Ex-Officio, Treasurer & Receiver General

Treasurer Goldberg was elected to office in November 2014, and she took office in January 2015. She was re-elected in November 2022.



Appointed Member Maureen Valente (Deceased)

Ms. Valente was the retired Chief Executive Officer of the Massachusetts School Building Authority. She was appointed in 2022. See page 8.



Elected Member Theresa McGoldrick, Esq.

Ms. McGoldrick is the National Executive Vice President of the National Association of Government Employees (NAGE) and the President of Local 207, NAGE Unit 6. NAGE is the largest public-sector union in Massachusetts representing over 15,000 Massachusetts state employees and NAGE members statewide and approximately 40,000 NAGE members nationwide. Prior to Theresa's involvement with NAGE, she worked as an attorney for The Massachusetts Department of Revenue, Child Support Enforcement Division. Theresa has been the elected member to the State Retirement Board and re-elected through April, 2024 and a member of the PRIM board since 2004.



Elected Member Francis Valeri

Mr. Valeri is the current President of the Massachusetts Retirees Association representing over 52,000 members. He is retired from State government after 38 years of service, with the Public Employee Retirement Administration Commission (PERAC), the state pension oversight agency, as well as many years with the state legislature. He was first elected to the Board for a three-year term beginning January 2017 and re-elected through January 2026.



Chosen Member Archibald (Archie) Gormley

Mr. Gormley is a retired Brockton Firefighter Lieutenant and former Legislative Agent for the Professional Fire Fighters of Massachusetts (PFFM). He began his Board service in April 2018 as the Chosen member. The Chosen member is a member who shall not be an employee, a retiree, or official of the Commonwealth and shall be chosen by the other four members for a term of three years.

State Employees' Retirement System Staff*

Kathryn Kougias, Executive Director

Sandor Zapolin, Deputy Executive Director / Chief Operating Officer

Paula Daddona, Director of Member Experience, Communications, and Operations (Communications, Member Services, ECM, and Mail Services)

Kimberly Griffin, Director of Information Systems & Technology

Sarah Kim, Deputy Treasurer / General Counsel, TRE/SRB

Angela Olszewski, Director of Business Support (Benefit Account Management and Member Account Management)

Diana Reyes, Director of Benefits (Benefit Calculations, Disbursements, and Survivor Benefits)

Nidhi Garg, Assistant Director, Business Support and Account Management

Joseph MacInnis, Assistant Director, Benefit Calculation

Stephanie Sicard, Assistant Director, Benefit Calculation (S)

Benefit Account Management

Angela Guarino
Susan Horn
Barbie Welch
Aneta Wertman
Michael Tevenan

Benefits Calculation

Arvelle Adamson
Daren Brocke
Deborah Cook (S)
Alexandria Florence (S)
Natasha Galindo
Joi Haynes-Headley (S)
Marie Hilliard (S)
Justin Hunt
Christopher Janke (S)
Darlene Keenan
Tenzin Latoe
Amanda Lavallee
Nicholas Leon Jr.
Shaniqua Marrow
Diana Morales
Douglas Nelson
Gloria Santana (S)
Aamir Sheriff
Gail Spader

Business Support

Diane Lloyd
Jean Simone
Judy Yim

Communications & Member Outreach

Zachary Pierce
Ebenezer (Ebbie) Shim

Disability

Lisa Zale, Manager
Jasmine Chasse
Joisei Horton
Wilmer Villafane

Disbursements

Karolyn Pires
Yves Sanon
Dwight Thompson

Electronic Content Management

Domingas Amado Da Silva
Michaela Biggs
Lisa Leary

Fiscal Services

Sharon Sullivan, Manager
Martha Castillo, Assistant Manager
Polane Maison
Jiajun Wang
Jadene Yoke

Internal Audit

Kwaku Duah

Legal Services

Andrew Dickey
Pamela Diggs
Jennifer Hunt
Teneshia Lewis
Yande Lombe
Brendan McGough, TRE
Athila Soares-Nunes

Information Systems & Technology

Michael Clancy, Manager
Abu Mahin, Manager
Jeeva Purushothaman
Christian Wangia

Member Account Management

Drenna Barrett, Manager
Jason Olimpia
Gregory Paquet
Winnie Rankin
Jacquelynn Reid
Marsha Shaw

Member Services/Call Center

Sandra Doctor, Assistant Manager
Hilda Alston-Nestor
Thomeesha Clark
Carolane Creighton
Monique Findlay
Akua Forrester

Office Management

Micarlie Baptiste-Merisier, Manager
Riccardo Pierre
Robert Tarlow

Reinstatements/Service Purchases

Pamela Forde, Manager
Jonathan Carey
Kayla Dorandi
Prima Lau
Kenneth MacMaster

Survivor Benefits

Cameron Akeredolu
Carol Powers
Eloy Sanchez
Tania Joseph

Training

Thomas Mancini
Cory Taliaferro

Membership Information for Fiscal Year 2023

Active Members

An active member is a participating employee of the MSERS who is currently employed and making retirement contributions.

Annual Statement of the Massachusetts Retirement System for the Year Ended 06/30/2023

MEMBERSHIP FOR CURRENT YEAR

| ACTIVE MEMBERS | GROUP1 | GROUP2/GROUP4 | GROUP3 | TOTAL |
|--|---------------|---------------|------------|---------------|
| Active Membership, 06/30 Previous year | 77,497 | 8,617 | 2,304 | 88,418 |
| Inactive Membership, 06/30 Previous Year | 69,821 | 8,349 | 667 | 78,837 |
| Vested | 4,765 | 552 | 57 | 5,374 |
| Non Vested | 65,056 | 7,797 | 610 | 73,463 |
| Enrolled during Current Year | 10,599 | 592 | 148 | 11,339 |
| Transfers Between Groups | 0 | 0 | 0 | 0 |
| Reinstatement of Disabled Members | 0 | 0 | 0 | 0 |
| SUBTOTAL | 10,599 | 592 | 148 | 11,339 |
| Deduct: | | | | |
| Death | 122 | 15 | 10 | 147 |
| Withdrawals | 2,961 | 291 | 16 | 3,268 |
| Retirements | 2,117 | 588 | 122 | 2,827 |
| SUBTOTAL | 5,207 | 894 | 148 | 6,249 |
| Active Membership, 06/30 Current Year | 80,765 | 8,622 | 2,352 | 91,739 |
| Inactive Membership, 06/30 Current Year | 73,554 | 8,422 | 737 | 82,713 |
| Vested | 5,076 | 537 | 56 | 5,669 |
| Non Vested | 68,478 | 7,885 | 681 | 77,044 |
| RETIRED MEMBERS, BENEFICIARIES AND SURVIVORS | | | | |
| Retired, Beneficiary and Survivor Membership, 06/30 Previous Year | 51,113 | 14,247 | 2,539 | 67,899 |
| Retirements during the year: | | | | |
| Superannuation | 2,075 | 555 | 82 | 2,712 |
| Ordinary Disability | 7 | 4 | 0 | 11 |
| Accidental Disability | 35 | 29 | 40 | 104 |
| Termination Retirement Allowance | 7 | 0 | 0 | 7 |
| Beneficiary of Deceased Retiree | 293 | 49 | 24 | 366 |
| Survivor Benefits from Active Membership | 55 | 10 | 10 | 75 |
| SUBTOTAL | 2,472 | 647 | 156 | 3,275 |
| Deduct | | | | |
| Deaths of Retired Members | 1,450 | 288 | 60 | 1,798 |
| Termination of Survivor Benefits | 275 | 25 | 11 | 311 |
| Reinstatement of Disabled Pensions | 1 | 0 | 0 | 1 |
| SUBTOTAL | 1,726 | 313 | 71 | 2,110 |
| Retired Membership, 06/30 Current Year | | | | |
| Superannuation | 41,921 | 12,633 | 1,763 | 56,317 |
| Ordinary Disability | 387 | 139 | 6 | 532 |
| Accidental Disability | 2,002 | 870 | 546 | 3,418 |
| Termination Retirement Allowance | 1,791 | 4 | 0 | 1,795 |
| Beneficiaries from Accidental Death | 136 | 8 | 0 | 144 |
| Beneficiaries from Section 100 | 1 | 0 | 14 | 15 |
| Beneficiaries from Section 101 | 213 | 26 | 79 | 318 |
| Beneficiaries under Option (C) | 2,989 | 530 | 102 | 3,621 |
| Option (D) Survivor Allowance | 2,060 | 324 | 38 | 2,422 |
| Section 12B Survivor Allowance | 0 | 0 | 0 | 0 |
| Total Retired, Beneficiary, Survivor Membership 06/30 Current Year | 51,442 | 14,534 | 2,606 | 68,582 |
| TOTAL MEMBERSHIP: | | | | |
| Active, Inactive, Retired, Beneficiary, and Survivor, 06/30 Current Year | 205,761 | 31,578 | 5,695 | 243,034 |

Member Contributions

Active members contribute between 5% and 9% of their gross regular compensation depending on the date of membership (State Police hired after July 1, 1996 contribute 12%). Members joining the MSERS after January 1, 1979 must contribute an additional 2% of regular compensation in excess of \$30,000.00. All member contributions are deposited into the Annuity Savings Fund. Members' contributions to this fund earn interest annually at a rate determined by the Executive Director of PERAC according to statute. Upon retirement, the members' contributions and interest are transferred to the Annuity Reserve Fund. Cost-of-living adjustments and any other increase in benefits imposed by state law granted between 1981 and 1996 are borne by the state. Member contributions for FY'23 were \$757 million consisting of \$722 million in payroll deductions, \$5.0 million in member redeposits, \$24.1 million for members transferring from other systems, \$5.5 million from members' rollovers, and \$9.6 million of Investment Income Credited to Members' Accounts.

Note: Inactive membership as of June 30, 2022 includes 21,826 accounts with zero balance.

SECTION 2

Financial Statements of the Massachusetts State Employees' Retirement System



Massachusetts Pension Reserves Investment Management Board

Summary of Plan Performance for the Year Ended June 30, 2023

The Pension Reserves Investment Trust ("PRIT") Fund is a pooled investment fund established to invest the assets of the Massachusetts State Teachers' and Employees' Retirement Systems, and the assets of county, authority, district, and municipal retirement systems that elect to invest in the PRIT Fund.

The PRIT Fund was created by the Legislature in December 1983 (Chapter 661 of the Acts 1983) with a mandate to accumulate assets through investment earnings and other revenue sources in order to reduce the Commonwealth's significant unfunded pension liability, and to assist local participating retirement systems in meeting their future pension obligations.

The Pension Reserves Investment Management ("PRIM") Board is charged with the general supervision of the PRIT Fund.

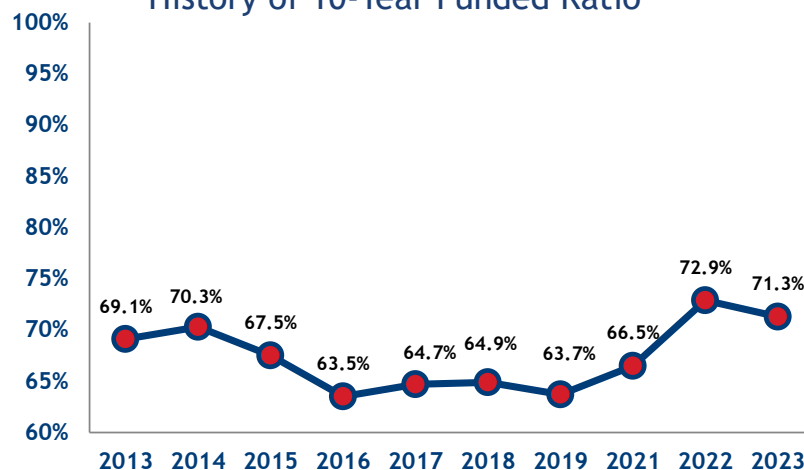
The PRIT Fund consists of two investment funds: the Capital Fund and the Cash Fund. Cash, deposited and invested on a temporary basis, is transferred monthly from the Cash Fund to the Capital Fund. Once in the Capital Fund, funds are invested and reinvested across all asset classes under PRIM's long-term investment guidelines and asset allocation plan.

The Capital Fund serves as the investment portfolio of the PRIT Fund. It consists of the General Allocation Account (which holds units of all other investment accounts) and the investment accounts listed in the chart on Page 14.

2014 - 2023
History of 10-Year Returns*

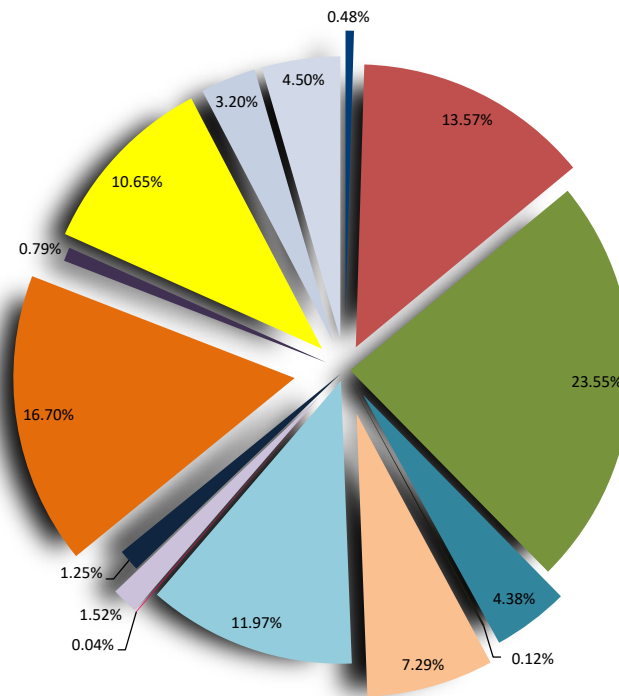


2013 - 2023
History of 10-Year Funded Ratio*



*Due to the COVID-19 outbreak, information is not available for 2020.

PRIT Capital Fund Core Asset Allocation as of June 30, 2023



| | | | | | |
|--|--------|-------------------------------|--------|------------------------------|--------|
| 1. Cash Overlay | 0.48% | 7. International Equity | 11.97% | 13. Real Estate | 10.65% |
| 2. Core Fixed Income | 13.57% | 8. Liquidating Portfolio | 0.04% | 14. Timberland | 3.20% |
| 3. Domestic Equity | 23.55% | 9. Other Credit Opportunities | 1.52% | 15. Value-added Fixed Income | 4.50% |
| 4. Emerging Markets | 4.38% | 10. Private Debt | 1.25% | | |
| 5. Global Equity Emerging - Diverse Mgr. Program | 0.12% | 11. Private Equity | 16.70% | | |
| 6. Hedge Funds | 7.29% | 12. Real Assets | 0.79% | | |

Fiscal Year 2022 Values

As of June 30, 2022 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital and Cash Fund:

\$33,713,733,227.36

Fiscal Year 2023 Capital Fund

As of June 30, 2023 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital Fund:

\$34,960,253,645.49

Fiscal Year 2023 Cash Fund

As of June 30, 2023 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Cash Fund:

\$8,608,019.15

Annual Statement of the Massachusetts State Employees' Retirement System for the Year Ended June 30, 2023

Annual Statement Balance Tests

1. Asset Balance:

| | |
|-----------------------------|----------------------------|
| Assets Previous Year | \$ 33,962,853,717.66 |
| Income Current Year | 4,399,844,534.05 |
| Disbursements Current Year | <u>3,169,298,839.80</u> |
| Assets Current Year: | \$35,193,399,411.91 |

2. Asset Difference:

| | |
|----------------------|---------------------------|
| Assets Current Year | \$35,193,399,411.91 |
| Assets Previous Year | <u>33,962,853,717.66</u> |
| Difference: | \$1,230,545,694.25 |

3. Income Difference:

| | |
|----------------------------|---------------------------|
| Income Current Year | \$ 4,399,844,534.05 |
| Disbursements Current Year | <u>3,169,298,839.80</u> |
| Difference: | \$1,230,545,694.25 |

4. Fund Change Difference:

| | |
|--|---------------------------|
| Total Fund Change Credits Current Year | \$ 5,630,484,374.99 |
| Total Fund Change Debits Current Year | <u>4,399,938,680.74</u> |
| Difference: | \$1,230,545,694.25 |

Note: The difference as a result of tests 2, 3, and 4 should be the same.

Assets and Liabilities

| | FY 2023 | FY 2022 | FY 2021 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| 1040 - 1070 Cash | \$ 148,947,975.68 | \$ 160,533,272.39 | \$ 105,477,819.76 |
| 8888 - Accounting Software Offset Account | 3.17 | 3.17 | 3.17 |
| 1198 - PRIT Cash Fund | 8,608,019.14 | 27,948,822.44 | 15,994,451.56 |
| 1199 - PRIT Capital Fund | 34,960,253,645.49 | 33,685,784,404.92 | 35,640,500,721.13 |
| 1350 - Prepaid Expenses | 9,598.13 | 11,178.79 | 17,218.22 |
| 1397 - Accounts Receivable (A) | 5,056,494.30 | 3,890,860.57 | 2,026,946.60 |
| 1398 - Accounts Receivable (A) | 106,154,421.41 | 92,642,520.66 | 84,398,289.05 |
| 1399 - Accounts Receivable (A) | 24,895,615.30 | 23,616,181.07 | 23,531,572.21 |
| 2020 - Accounts Payable (A) | <u>(60,526,360.71)</u> | <u>(31,573,526.35)</u> | <u>(20,184,722.07)</u> |
| TOTAL: | <u>\$35,193,399,411.91</u> | <u>\$33,962,853,717.66</u> | <u>\$35,851,762,299.63</u> |

Funds

| | FY 2023 | FY 2022 | FY 2021 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| 3293 - Annuity Savings Fund | \$ 7,390,972,699.70 | \$ 7,139,630,254.53 | \$ 6,957,494,610.87 |
| 3294 - Annuity Reserve Fund | 1,816,851,613.73 | 1,906,262,794.50 | 1,929,770,359.96 |
| 3295 - Special Military Service Credit Fund | 33,765.82 | 33,732.12 | 33,698.46 |
| 3296 - Pension Fund | 0.00 | 0.00 | 0.00 |
| 3298 - Expense Fund | 0.00 | 0.00 | 0.00 |
| 3297 - Pension Reserve Fund | <u>25,985,541,332.66</u> | <u>24,916,926,936.52</u> | <u>26,964,463,630.34</u> |
| TOTAL ASSETS AT MARKET VALUE: | <u>\$35,193,399,411.91</u> | <u>\$33,962,853,717.66</u> | <u>\$35,851,762,299.63</u> |

(A) Refer to Schedule A for Detail of Accounts Receivable and Accounts Payable.

Statement of Funds Flow

| Fund | Balance 7/1/22 | Receipts | Interfund Transfers | Disbursements | Balance 6/30/23 |
|-----------------------|-----------------------------------|----------------------------------|--------------------------|----------------------------------|-----------------------------------|
| Annuity Savings Fund | \$ 7,139,630,254.53 | \$ 766,289,460.84 | (\$438,997,058.89) | \$ 75,949,956.78 | \$ 7,390,972,699.70 |
| Annuity Reserve Fund | 1,906,262,794.50 | 56,036,894.67 | 432,388,186.64 | 577,836,262.08 | 1,816,851,613.73 |
| Military Service Fund | 33,732.12 | 33.70 | 0.00 | 0.00 | 33,765.82 |
| Pension Fund | 0.00 | 1,536,052,439.34 | 798,251,654.30 | 2,334,304,093.64 | 0.00 |
| Expense Fund | 0.00 | 181,208,527.30 | 0.00 | 181,208,527.30 | 0.00 |
| Pension Reserve Fund | <u>24,916,926,936.52</u> | <u>1,860,257,178.20</u> | <u>(791,642,782.05)</u> | <u>0.00</u> | <u>25,985,541,332.66</u> |
| TOTAL FUNDS: | <u>\$33,962,853,717.66</u> | <u>\$4,399,844,534.05</u> | <u>\$ 0.00</u> | <u>\$3,169,298,839.80</u> | <u>\$35,193,399,411.91</u> |

All Fiscal Year 2023 Transfers:

- ◀ Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$432,388,186.64 on account of Current year retirees
- ◀ Transfer from 3293 ASF Fund to the 3297 PRF Fund in the amount of \$18,093,748.78 on account of 10 Year Old Inactive Accounts.
- ◀ Transfer from 3297 PRF Fund to the 3293 ASF Fund in the amount of \$11,482,510.25 on account of Reactivated Accounts.
- ◀ Transfer from 3297 PRF Fund to the 3293 ASF Fund in the amount of \$2,366.28 on account of Herrick Interest Refunds.
- ◀ Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$798,251,654.30 on account of Funding Schedule

Receipts

| | FY 2023 | FY 2022 | FY 2021 |
|---|----------------------------------|-----------------------------------|-----------------------------------|
| 1. Annuity Savings Fund: | | | |
| (a) 4891 - Members' Deductions | \$ 722,381,939.67 | \$ 693,852,504.81 | \$ 652,911,325.10 |
| (b) 4892 - Transfers From Other Systems | 24,087,628.48 | 15,401,580.61 | 13,394,010.18 |
| (c) 4893 - Member Make Ups and Redeposits | 4,672,508.94 | 5,050,114.30 | 6,365,621.40 |
| (d) 4900 - Member Payments from Rollovers | 5,508,785.98 | 4,634,436.80 | 4,523,309.34 |
| (e) Investment Income Credited to Members' Accounts | <u>9,638,597.77</u> | <u>8,742,924.34</u> | <u>7,765,372.50</u> |
| Subtotal: | 766,289,460.84 | 727,681,560.86 | 684,959,638.52 |
| 2. Annuity Reserve Fund: | | | |
| (a) 4750 - Recovery of Annuity from Reinstatements | 0.00 | 0.00 | 0.00 |
| (b) 4752 - Recovered Annuities Death | 567,848.53 | 784,151.91 | 666,667.51 |
| (c) Investment Income Credited to Annuity Reserve Fund | <u>55,469,046.14</u> | <u>56,814,718.93</u> | <u>57,154,551.63</u> |
| Subtotal: | 56,036,894.67 | 57,598,870.84 | 57,821,219.14 |
| 3. Pension Fund: | | | |
| (a) 4898 - 3(8)(c) Reimbursements from Other Systems | 41,366,773.63 | 25,336,162.93 | 714,503.40 |
| (b) 4894 - Pension Fund Appropriation | 1,491,567,291.19 | 1,427,257,071.84 | 1,209,849,458.00 |
| (c) 4840 - Workers' Compensation Settlements | 566,400.00 | 531,747.37 | 490,618.53 |
| (d) 4841 - Recovery of 91A Overearnings | 280,580.43 | 287,398.32 | 186,538.24 |
| (e) 4753 - Recovered Pensions Death | <u>2,271,394.09</u> | <u>3,136,607.62</u> | <u>2,784,038.17</u> |
| Subtotal: | 1,536,052,439.34 | 1,456,548,988.08 | 1,214,025,156.34 |
| 4. Military Service Fund: | | | |
| (a) Investment Income Credited to Military Service Fund | <u>33.70</u> | <u>33.66</u> | <u>33.63</u> |
| Subtotal: | 33.70 | 33.66 | 33.63 |
| 5. Expense Fund: | | | |
| (a) Investment Income Credited to Expense Fund | <u>181,208,527.30</u> | <u>201,578,142.89</u> | <u>173,539,069.57</u> |
| Subtotal: | 181,208,527.30 | 201,578,142.89 | 173,539,069.57 |
| 6. Pension Reserve Fund: | | | |
| (a) 4830 - ORP Employer Reimbursements | 0.00 | 0.00 | 0.00 |
| (b) 4895 - Pension Reserve Appropriation | 872,984.55 | 0.00 | 0.00 |
| (c) 4897 - Federal Grant Reimbursements | 7,489,602.25 | 6,862,249.32 | 6,807,708.10 |
| (d) 4822 - Interest Not Refunded | 96,538.36 | 92,141.27 | 154,819.52 |
| (e) 4825 - Miscellaneous Income | 25,429,134.61 | 56,711,476.19 | 34,698,210.82 |
| (f) Excess Investment Income Credited to Pension | <u>1,826,368,918.43</u> | <u>(1,371,689,067.58)</u> | <u>8,107,419,812.25</u> |
| Subtotal: | 1,860,257,178.20 | (1,308,023,200.80) | 8,149,080,550.69 |
| TOTAL RECEIPTS: | <u>\$4,399,844,534.05</u> | <u>\$ 1,135,384,395.53</u> | <u>\$10,279,425,667.89</u> |

Disbursements

| | FY 2023 | FY 2022 | FY 2021 |
|--|----------------------------------|----------------------------------|----------------------------------|
| 1. Annuity Savings Fund: | | | |
| (a) 5757 - Refunds To Members | \$ 63,032,990.08 | \$ 57,657,119.63 | \$ 41,869,122.42 |
| (b) 5756 - Transfers To Other Systems | <u>12,916,966.70</u> | <u>12,041,606.93</u> | <u>8,556,789.87</u> |
| Subtotal: | 75,949,956.78 | 69,698,726.56 | 50,425,912.29 |
| 2. Annuity Reserve Fund: | | | |
| (a) 5750 - Annuities Paid | 571,753,596.60 | 539,493,575.99 | 505,964,841.77 |
| (b) 5759 - Option B Refunds | <u>6,082,665.48</u> | <u>4,450,670.90</u> | <u>4,944,415.38</u> |
| Subtotal: | 577,836,262.08 | 543,944,246.89 | 510,909,257.15 |
| 3. Pension Fund: | | | |
| (a) 5751 - Pensions Paid | | | |
| Regular Pension Payments | 2,011,833,852.35 | 1,913,722,963.65 | 1,826,863,815.86 |
| Survivorship Payments | 9,152,495.08 | 9,222,824.29 | 9,272,644.83 |
| Ordinary Disability Payments | 15,812,826.31 | 15,887,041.15 | 16,315,334.06 |
| Accidental Disability Payments | 161,515,584.53 | 156,054,282.26 | 153,024,400.57 |
| Accidental Death Payments | 56,576,335.10 | 55,158,318.61 | 53,987,259.13 |
| Section 101 Benefits | 4,861,668.42 | 4,993,307.05 | 5,106,001.60 |
| (b) 5755 - 3(8)(c) Reimbursements to Other Systems | 19,656,689.47 | 19,139,200.71 | 16,705,135.97 |
| (c) 5752 - COLAs Paid | 13,311,573.04 | 9,480,591.73 | 13,842,018.13 |
| (d) 5600 - Bad Debt Expense | 216,295.71 | 77,168.78 | 4,917,757.70 |
| (e) 5700 - 3(8)(c) Reimbursements to General Fund | <u>41,366,773.63</u> | <u>25,336,162.93</u> | <u>714,503.40</u> |
| Subtotal: | 2,334,304,093.64 | 2,209,071,861.16 | 2,100,748,871.25 |
| 4. Expense Fund: | | | |
| (a) 5119 - Staff Salaries | 5,909,162.04 | 5,533,887.66 | 5,748,125.55 |
| (b) 5120 - Benefits | 2,377,299.39 | 2,171,204.65 | 2,168,944.30 |
| (c) 5304 - Management Fees | 140,605,446.96 | 164,387,885.19 | 136,673,234.77 |
| (d) 5305 - Custodial Fees | 24,698,905.33 | 22,806,240.81 | 20,098,529.05 |
| (e) 5308 - Legal Expenses | 63,933.46 | 18,619.68 | 14,855.56 |
| (f) 5310 - Fiduciary Insurance | 0.00 | 0.00 | 47,260.00 |
| (g) 5311 - Service Contracts | 272,429.04 | 372,697.58 | 403,675.12 |
| (h) 5312 - Rent Expense | 889,181.39 | 870,668.11 | 848,735.61 |
| (i) 5315 - Professional Services | 5,118,948.25 | 4,593,964.86 | 6,645,189.53 |
| (j) 5320 - Education and Training | 26,443.71 | 16,180.25 | 13,080.96 |
| (k) 5588 - Miscellaneous Expense | 0.00 | 0.00 | 0.00 |
| (l) 5589 - Administrative Expenses | 1,148,328.35 | 733,340.09 | 780,982.72 |
| (m) 5599 - Furniture and Equipment | 88,039.52 | 37,232.37 | 72,213.10 |
| (n) 5719 - Travel Expenses | 10,409.86 | 36,221.64 | 24,243.30 |
| Subtotal: | 181,208,527.30 | 201,578,142.89 | 173,539,069.57 |
| TOTAL DISBURSEMENTS: | <u>\$3,169,298,839.80</u> | <u>\$3,024,292,977.50</u> | <u>\$2,835,623,110.26</u> |

Investment Income

| | FY 2023 | FY 2022 | FY 2021 |
|---|----------------------------------|------------------------------------|----------------------------------|
| Investment Income Received From: | | | |
| (a) Pooled Funds (from Schedule 5) | \$ 903,727,566.27 | \$ 883,239,962.09 | \$ 755,257,808.02 |
| (b) MMDT Investment Income | <u>855,355.19</u> | <u>82,353.89</u> | <u>33,479.21</u> |
| 4821 TOTAL INVESTMENT INCOME: | 904,582,921.46 | 883,322,315.98 | 755,291,287.23 |
| Plus: | | | |
| 4884 - Realized Gains (Profits) | 306,059,023.37 | 1,558,815,702.89 | 2,435,142,147.04 |
| 4886 - Unrealized Gains (Increase in Market Value) | <u>5,382,742,274.88</u> | <u>2,191,970,894.99</u> | <u>5,730,405,627.63</u> |
| Subtotal: | 5,688,801,298.25 | 3,750,786,597.88 | 8,165,547,774.67 |
| Less: | | | |
| 4885 - Realized Losses | (101,314,711.52) | 0.00 | 0.00 |
| 4887 - Unrealized Losses (Decrease in Market Value) | <u>(4,419,384,384.85)</u> | <u>(5,738,662,161.62)</u> | <u>(574,960,222.32)</u> |
| Subtotal: | (4,520,699,096.37) | (5,738,662,161.62) | (574,960,222.32) |
| NET INVESTMENT INCOME: | 2,072,685,123.34 | (1,104,553,247.76) | 8,345,878,839.58 |
| Income Required: | | | |
| Annuity Savings Fund | 9,638,597.77 | 8,742,924.34 | 7,765,372.50 |
| Annuity Reserve Fund | 55,469,046.14 | 56,814,718.93 | 57,154,551.63 |
| Expense Fund | 181,208,527.30 | 201,578,142.89 | 173,539,069.57 |
| Military Service Fund | <u>33.70</u> | <u>33.66</u> | <u>33.63</u> |
| TOTAL INCOME REQUIRED: | 246,316,204.91 | 267,135,819.82 | 238,459,027.33 |
| Net Investment Income: | 2,072,685,123.34 | (1,104,553,247.76) | 8,345,878,839.58 |
| Less Income Required: | (246,316,204.91) | (267,135,819.82) | (238,459,027.33) |
| EXCESS INCOME TO THE PENSION RESERVE FUND: | <u>\$1,826,368,918.43</u> | <u>(\$1,371,689,067.58)</u> | <u>\$8,107,419,812.25</u> |

Schedule A - Detail of Accounts Receivable and Accounts Payable

1397 - Accounts Receivable On Deaths

| | |
|--------------------------------------|-------------------------------|
| 1397 - Accounts Receivable On Deaths | 5,056,494.30 |
| TOTAL RECEIVABLES: | <u>\$ 5,056,494.30</u> |

1398-Accounts Receivable

| | |
|--|--------------------------------|
| Prior Year Balance | \$ 53,472,886.04 |
| 4891 - Members' Deductions | 28,881,375.18 |
| 4892 - Transfers In | 2,001,821.48 |
| 4893 - Makeups & Buybacks | 68,139.23 |
| 4897 - Federal Grant Reimbursements | 645,519.41 |
| 5756 - Cancelled Transfers Out | 48,467.35 |
| 5757 - Cancelled Refunds | 16,814.75 |
| 4898 - 3(8)(c) Reimbursements From Other Systems | 21,019,397.97 |
| TOTAL RECEIVABLES: | <u>\$106,154,421.41</u> |

1399-Accounts Receivable for Yearly Employer Pension Reimbursement

| | |
|-----------------------------|-------------------------------|
| Prior Year Balance | \$ 16,531,476.82 |
| 4825 - Miscellaneous Income | 8,364,138.48 |
| TOTAL RECEIVABLES: | <u>\$24,895,615.30</u> |

2020-Accounts Payable

| | |
|--|-------------------------------|
| Prior Year Balance | \$ 19,049,541.28 |
| 5311 - Service Contracts | \$ 58,068.93 |
| 5315 - Operating Expense-Professional Services | \$ 709,562.38 |
| 5320 - Education and Training | \$ 1,154.00 |
| 5589 - Administrative Expenses | \$ 31,946.68 |
| 5700 - 3(8)(c) Reimbursement to General Fund | \$ 21,019,397.97 |
| 5755 - 3(8)(c) Reimbursements to Other Systems | \$ 19,656,689.47 |
| TOTAL PAYABLES: | <u>\$60,526,360.71</u> |

Schedule No. 1 - Cash Account Activity During Year - MSERS

| Description | (A) Book Value at End of Previous Year | (B) Income Reinvested/ Total Deposits This Year | (C) Redeposited into Account | (D) Withdrawals During Year | (E) Book Value June 30th This Year | (F) System Not Reinvested or Redeposited | (G) Interest Due and Accrued June 30th |
|---|--|--|------------------------------------|-----------------------------------|--|--|---|
| 1040-0000 Cash Annuity - MMARS | \$ 49,203,549.38 | \$ 666,685,581.18 | — | \$ 660,164,191.08 | \$ 55,724,939.48 | — | — |
| 1042-0000 BNY Mellon Bank | — | \$ 948,083,995.88 | — | \$ 948,004,718.50 | \$ 79,277.38 | — | — |
| 1050-0000 Pension Payments & Receipts - MMARS | \$ 20,230,602.14 | \$ 2,325,110,749.19 | — | \$ 2,306,809,654.34 | \$ 38,531,696.99 | — | — |
| 1051-0000 Returned Pensions & Annuities - M&T Bank | — | \$ 3,144,367.80 | — | \$ 3,144,367.80 | — | — | — |
| 1052-0000 3(8)(c) & 59A Receipts - M&T Bank | — | \$ 32,875,279.47 | — | \$ 32,875,279.47 | — | — | — |
| 1053-0000 COLA Payments | \$ 25,796,071.84 | \$ 15,675,372.79 | — | \$ 18,836,548.37 | \$ 22,634,896.26 | — | — |
| 1054-0000 Capital Gains Tax Revenue Transfer | \$ 51,724,546.70 | \$ 17,075,691.19 | — | \$ 51,724,546.70 | \$ 17,075,691.19 | — | — |
| 1062-0000 Operating Expenses - MMARS | \$ 3,958,955.87 | \$ 15,002,357.17 | — | \$ 15,410,557.97 | \$ 3,550,755.07 | — | — |
| 1063-0000 Capital Expenses - MMARS | \$ 2,126,377.75 | — | — | — | \$ 2,126,377.75 | — | — |
| 1070-0000 COLA Repayment Credits | \$ 7,493,168.71 | \$ 1,731,172.85 | — | — | \$ 9,224,341.56 | — | — |
| 1040-1070 Subtotal | <u>\$160,533,272.39</u> | <u>\$4,025,384,567.52</u> | — | <u>\$4,036,969,864.23</u> | <u>\$148,947,975.68</u> | — | — |
| 1198-0000 PRIT Cash | \$ 27,948,822.44 | \$ 1,683,167,474.77 | — | \$ 1,702,508,278.07 | \$ 8,608,019.14 | — | — |

Schedule No. 5 - Schedule of Pooled Funds - MSERS

| PERAC Account Number | Description | Market Value at End of Previous Year | Contributions | Reinvested Investment Income | Realized Gain | Realized Loss | Unrealized Gain |
|----------------------------|---------------------------|---|--------------------------------------|------------------------------------|---------------------------|--------------------------------|---------------------------|
| 1198-0000 | SERS PRIT Cash Fund | \$ 27,948,822.44 | \$ 862,502,959.26 | \$ 3,023,680.97 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| 1199-0000 | SERS PRIT Capital Fund | \$ 33,685,784,404.92 | \$ 0.00 | \$ 900,703,885.30 | \$ 306,059,023.37 | (\$ 101,314,711.52) | \$ 5,382,742,274.88 |
| TOTAL POOLED FUNDS: | | <u>\$33,713,733,227.36</u> | <u>\$862,502,959.26</u> | <u>\$903,727,566.27</u> | <u>\$306,059,023.37</u> | <u>(\$101,314,711.52)</u> | <u>\$5,382,742,274.88</u> |
| PERAC Account Number | Description | (G) | (H) | (I) | (J) | (K) | |
| | | Unrealized Loss | Exchanges from (to) the Cash Fund | Redemptions | Net Fees Paid | Market Value at End of Year | |
| 1198-0000 | SERS PRIT Cash Fund | \$ 0.00 | \$ 629,032,494.32 | (\$ 1,513,899,937.84) | \$ 0.00 | \$ 8,608,019.14 | |
| 1199-0000 | SERS PRIT Capital Fund | (\$ 4,419,384,384.85) | (\$ 629,032,494.32) | \$ | 0.00 | (\$ 165,304,352.29) | \$ 34,960,253,645.49 |
| TOTAL POOLED FUNDS: | | <u>(\$4,419,384,384.85)</u> | <u>\$ 0.00</u> | <u>(\$1,513,899,937.84)</u> | <u>(\$165,304,352.29)</u> | <u>\$34,968,861,664.63</u> | |

Schedule No. 7 - Summary of Investment Related Fees - MSERS

| Manager | Q1 FY2023 | Q2 FY2023 | Q3 FY2023 | Q4 FY2023 | Total Paid or Accrued in FY2023 | Payment Method |
|--|------------------------|------------------------|------------------------|------------------------|---------------------------------------|-------------------|
| 5304 Management Fees: | | | | | | |
| Pension Reserves | | | | | | |
| Investment Trust Fund | \$ 34,863,605.78 | \$ 30,667,402.81 | \$ 36,540,849.77 | \$ 38,533,588.60 | \$ 140,605,446.96 | |
| 5304 Management Fees TOTAL | \$34,863,605.78 | \$30,667,402.81 | \$36,540,849.77 | \$38,533,588.60 | \$140,605,446.96 | Net |
| 5305 Custodial Fees: | | | | | | |
| BNY Mellon Bank | \$ 5,530,834.84 | \$ 7,674,661.67 | \$ 5,207,511.51 | \$ 6,285,897.31 | \$ 24,698,905.33 | |
| 5305 Custodial Fees TOTAL | \$5,530,834.84 | \$7,674,661.67 | \$5,207,511.51 | \$6,285,897.31 | \$ 24,698,905.33 | Net |
| NET TOTAL INVESTMENT RELATED FEES AND EXPENSES: | | | | | \$165,304,352.29 | |

Annuity Reserve Fund Interest Calculation* - MSERS

FY2023

| | 5750 | 5759 | Transfers Out | Recovery from Reinstatement 4750 | 3294 | Transfers In | BALANCE | INTEREST (Balance x .0025) |
|------------------|-----------------|----------------|------------------|--|-----------------|-----------------|--------------------|-------------------------------|
| July 1st (2022) | — | — | — | — | — | — | \$1,906,262,794.50 | \$ 4,765,656.99 |
| August 1st | \$46,178,287.17 | \$ 305,846.49 | \$0.00 | \$0.00 | \$27,297,198.36 | \$0.00 | \$1,887,075,859.20 | \$ 4,717,689.65 |
| September 1st | \$46,752,257.87 | \$ 466,132.72 | \$0.00 | \$0.00 | \$37,663,881.20 | \$0.00 | \$1,877,521,349.81 | \$ 4,693,803.37 |
| October 1st | \$46,712,636.21 | \$ 443,203.40 | \$0.00 | \$0.00 | \$32,367,955.16 | \$0.00 | \$1,862,733,465.36 | \$ 4,656,833.66 |
| November 1st | \$47,466,141.71 | \$1,640,157.39 | \$0.00 | \$0.00 | \$44,654,393.08 | \$0.00 | \$1,858,281,559.34 | \$ 4,645,703.90 |
| December 1st | \$48,021,208.19 | \$ 441,024.90 | \$0.00 | \$0.00 | \$50,634,370.94 | \$0.00 | \$1,860,453,697.19 | \$ 4,651,134.24 |
| January 1st | \$47,869,568.64 | \$ 510,637.15 | \$0.00 | \$0.00 | \$44,389,434.80 | \$0.00 | \$1,856,462,926.20 | \$ 4,641,157.32 |
| February 1st | \$47,914,771.01 | \$ 463,047.40 | \$0.00 | \$0.00 | \$41,174,054.51 | \$0.00 | \$1,849,259,162.30 | \$ 4,623,147.91 |
| March 1st | \$47,916,896.31 | \$ 444,709.05 | \$0.00 | \$0.00 | \$31,991,283.69 | \$0.00 | \$1,832,888,840.63 | \$ 4,582,222.10 |
| April 1st | \$48,144,980.54 | \$ 401,600.27 | \$0.00 | \$0.00 | \$36,683,467.45 | \$0.00 | \$1,821,025,727.27 | \$ 4,552,564.32 |
| May 1st | \$47,852,682.72 | \$ 398,734.56 | \$0.00 | \$0.00 | \$25,376,527.08 | \$0.00 | \$1,798,150,837.07 | \$ 4,495,377.09 |
| June 1st | \$48,345,179.08 | \$ 446,262.56 | \$0.00 | \$0.00 | \$28,142,843.42 | \$0.00 | \$1,777,502,238.85 | \$ 4,443,755.60 |
| June 30th (2023) | | | | | | | | |

TOTAL: \$55,469,046.14

*See Investment Income, Page 20.

SECTION 3

Financial Statements of the Massachusetts Turnpike Authority Employees' Retirement System



Annual Statement of the Massachusetts Turnpike Authority Employees' Retirement System for the Year Ended June 30, 2023

Transfer of Plan Administration

Pursuant to the provisions of §159 of Chapter 25 of the Acts of 2009, as amended by Chapter 26 of the Acts of 2009, the Massachusetts Turnpike Authority Employees' Retirement Board was abolished on November 1, 2009. The legislation provides for the continuation of the Massachusetts Turnpike Authority Employees' Retirement System with custody of its assets transferred to the State Treasurer and management of the System transferred to the State Board of Retirement also effective November 1, 2009. All future benefit payments made under G.L. c. 32 § 1 to 28 inclusive become obligations of the Commonwealth of Massachusetts.

The accompanying financial statements have been prepared under the provisions contained in that legislation. The financial statements do not include any adjustments relating to the recovery and classification of asset values, or the amount and classification of liabilities, or the amount and classification of future benefits that might occur as a result of the ultimate settlement arising from these actions.

Annual Statement Balance Tests

1. Asset Balance:

| | |
|-----------------------------|-------------------------|
| Assets Previous Year | \$168,272,866.90 |
| Income Current Year | 10,220,561.59 |
| Disbursements Current Year | <u>14,382,300.97</u> |
| Assets Current Year: | \$164,111,127.52 |

2. Asset Difference:

| | |
|----------------------|-------------------------|
| Assets Current Year | \$ 164,111,127.52 |
| Assets Previous Year | <u>168,272,866.90</u> |
| Difference: | (\$4,161,739.38) |

3. Income Difference:

| | |
|----------------------------|-------------------------|
| Income Current Year | \$ 10,220,561.59 |
| Disbursements Current Year | <u>14,382,300.97</u> |
| Difference: | (\$4,161,739.38) |

4. Fund Change Difference:

| | |
|--|-------------------------|
| Total Fund Change Credits Current Year | \$ 21,167,305.20 |
| Total Fund Change Debits Current Year | <u>25,329,044.58</u> |
| Difference: | (\$4,161,739.38) |

Note: The difference as a result of tests 2, 3, and 4 should be the same.

Assets and Liabilities

| | FY 2023 | FY 2022 | FY 2021 |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| 1040 - 1062 Cash | \$ 5,708,206.93 | \$ 7,490,759.50 | \$ 6,669,923.94 |
| 1198 - PRIT Cash Fund | 214,377.16 | 186,821.35 | 176,938.28 |
| 1199 - PRIT Capital Fund | 158,257,272.35 | 160,523,085.20 | 180,867,003.12 |
| 1398 - Accounts Receivable (A) | 458,225.55 | 186,329.46 | 43,773.98 |
| 2020 - Accounts Payable (A) | (526,954.47) | (114,128.61) | (48,566.81) |
| TOTAL: | <u>\$164,111,127.52</u> | <u>\$168,272,866.90</u> | <u>\$187,709,072.51</u> |

Funds

| | FY 2023 | FY 2022 | FY 2021 |
|---|--------------------------------|--------------------------------|--------------------------------|
| 3293 - Annuity Savings Fund | \$ 41,051,478.37 | \$ 41,010,453.71 | \$ 41,024,657.93 |
| 3294 - Annuity Reserve Fund | 26,209,738.46 | 27,329,392.43 | 28,524,458.69 |
| 3295 - Special Military Service Credit Fund | 437.89 | 437.45 | 437.01 |
| 3296 - Pension Fund | 0.00 | 121.75 | 121.75 |
| 3298 - Expense Fund | 0.00 | 0.00 | 0.00 |
| 3297 - Pension Reserve Fund | 96,849,472.80 | 99,932,461.56 | 118,159,397.13 |
| TOTAL ASSETS AT MARKET VALUE: | <u>\$164,111,127.52</u> | <u>\$168,272,866.90</u> | <u>\$187,709,072.51</u> |

(A) Refer to Schedule A for Detail of Accounts Receivable and Accounts Payable.

Statement of Funds Flow

| Fund | Balance 7/1/2022 | Receipts | Interfund Transfers | Disbursements | Balance 6/30/2023 |
|-----------------------|--------------------------------|-------------------------------|------------------------|-------------------------------|--------------------------------|
| Annuity Savings Fund | \$ 41,010,453.71 | \$ 41,024.66 | \$ 0.00 | \$0.00 | \$ 41,051,478.37 |
| Annuity Reserve Fund | 27,329,392.43 | 793,326.49 | 0.00 | 1,912,980.46 | 26,209,738.46 |
| Military Service Fund | 437.45 | 0.44 | 0.00 | 0.00 | 437.89 |
| Pension Fund | 121.75 | 759,484.72 | 10,946,743.61 | 11,706,350.08 | 0.00 |
| Expense Fund | 0.00 | 762,970.43 | 0.00 | 762,970.43 | 0.00 |
| Pension Reserve Fund | <u>99,932,461.56</u> | <u>7,863,754.85</u> | <u>(10,946,743.61)</u> | <u>0.00</u> | <u>96,849,472.80</u> |
| TOTAL FUNDS: | <u>\$168,272,866.90</u> | <u>\$10,220,561.59</u> | <u>\$ 0.00</u> | <u>\$14,382,300.97</u> | <u>\$164,111,127.52</u> |

All Fiscal Year 2023 Transfers:

- ◀ Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$10,946,865.36 on account of Funding Schedule.
- ◀ Transfer from 3296 PF Fund to the 3297 PRF Fund in the amount of \$121.75 on account of adjusting PF balance.

Receipts

| | FY 2023 | FY 2022 | FY 2021 |
|---|-------------------------------|--------------------------------|-------------------------------|
| 1. Annuity Savings Fund: | | | |
| (a) Investment Income Credited to Members' Accounts | <u>\$ 41,024.66</u> | <u>\$ 41,040.81</u> | <u>\$ 41,071.19</u> |
| Subtotal: | 41,024.66 | 41,040.81 | 41,071.19 |
| 2. Annuity Reserve Fund: | | | |
| (a) Investment Income Credited to Annuity Reserve Fund | <u>793,326.49</u> | <u>827,590.74</u> | <u>864,063.91</u> |
| Subtotal: | 793,326.49 | 827,590.74 | 864,063.91 |
| 3. Pension Fund: | | | |
| (a) 4898 - 3(8)(c) Reimbursements from Other Systems | <u>759,484.72</u> | <u>451,359.14</u> | <u>0.00</u> |
| Subtotal: | 759,484.72 | 451,359.14 | 0.00 |
| 4. Military Service Fund: | | | |
| (a) Investment Income Credited to Military Service Fund | <u>0.44</u> | <u>0.44</u> | <u>0.44</u> |
| Subtotal: | 0.44 | 0.44 | 0.44 |
| 5. Expense Fund: | | | |
| (a) Investment Income Credited to Expense Fund | <u>762,970.43</u> | <u>914,992.26</u> | <u>821,696.46</u> |
| Subtotal: | 762,970.43 | 914,992.26 | 821,696.46 |
| 6. Pension Reserve Fund: | | | |
| (a) 4822 - Interest Not Refunded | 0.00 | 0.00 | 0.00 |
| (b) 4825 - Miscellaneous Income | 0.00 | 0.00 | 0.00 |
| (c) Excess Investment Income Credited to Pension Reserve Fund | <u>7,863,754.85</u> | <u>(6,677,583.79)</u> | <u>42,250,233.38*</u> |
| Subtotal: | 7,863,754.85 | (6,677,583.79) | 42,250,233.38 |
| TOTAL RECEIPTS: | <u>\$10,220,561.59</u> | <u>(\$4,442,600.40)</u> | <u>\$43,977,065.38</u> |

*The Annual Report for fiscal year 2021 showed an incorrect value of \$0.00. The correct value for FY2021 is \$42,250,233.38.

The PRIM statement for 6/1/2021 - 6/31/2021 is the source document and the amount was verified. PRIM, PERAC and Board Auditor confirmed that there is no impact to the market value of assets, and it is considered to be an administrative typo.

Disbursements

| | FY 2023 | FY 2022 | FY 2021 |
|---|-------------------------------|-------------------------------|-------------------------------|
| 1. Annuity Savings Fund: | | | |
| (a) 5757 - Refunds To Members | \$ <u>0.00</u> | \$ 55,245.03 | \$ <u>57,226.12</u> |
| Subtotal: | 0.00 | 55,245.03 | 57,226.12 |
| 2. Annuity Reserve Fund: | | | |
| (a) 5750 - Annuities Paid | <u>1,912,980.46</u> | <u>2,022,657.00</u> | <u>2,119,846.52</u> |
| Subtotal: | 1,912,980.46 | 2,022,657.00 | 2,119,846.52 |
| 3. Pension Fund: | | | |
| (a) 5751 - Pensions Paid | | | |
| Regular Pension Payments | 8,616,527.76 | 9,015,263.70 | 9,327,722.29 |
| Survivorship Payments | 125,716.29 | 125,798.32 | 109,732.28 |
| Ordinary Disability Payments | 246,557.45 | 279,741.00 | 275,451.00 |
| Accidental Disability Payments | 1,621,143.98 | 1,664,457.94 | 1,808,831.86 |
| Accidental Death Payments | 473,452.53 | 476,009.18 | 489,413.76 |
| Section 101 Benefits | 95,997.60 | 88,740.63 | 98,503.80 |
| (b) 5755 - 3(8)(c) Reimbursement To Other Systems | <u>526,954.47</u> | <u>350,700.15</u> | <u>500,351.33</u> |
| Subtotal: | 11,706,350.08 | 12,000,710.92 | 12,610,006.32 |
| 4. Expense Fund: | | | |
| (a) 5304 - Management Fees | 649,127.53 | 803,548.09 | 716,204.76 |
| (b) 5305 - Custodial Fees | <u>113,842.90</u> | <u>111,444.17</u> | <u>105,491.70</u> |
| Subtotal: | 762,970.43 | 914,992.26 | 821,696.46 |
| TOTAL DISBURSEMENTS: | <u>\$14,382,300.97</u> | <u>\$14,993,605.21</u> | <u>\$15,608,775.42</u> |

Investment Income

| | FY 2023 | FY 2022 | FY 2021 |
|--|------------------------|-------------------------|------------------------|
| Investment Income Received: | | | |
| (a) Pooled Funds (from Schedule 5) | \$ 4,193,663.53 | \$ 4,322,247.98 | \$ 3,965,250.92 |
| (b) MMDT Investment Income | <u>10,971.65</u> | <u>877.82</u> | <u>614.14</u> |
| 4821 TOTAL INVESTMENT INCOME: | 4,204,635.18 | 4,323,125.80 | 3,965,865.06 |
| Plus: | | | |
| 4884 - Realized Gains (Profits) | 1,412,872.19 | 7,735,334.87 | 12,784,121.59 |
| 4886 - Unrealized Gains (Increase in Market Value) | <u>24,973,655.46</u> | <u>10,808,795.32</u> | <u>30,293,550.76</u> |
| Subtotal: | 26,386,527.65 | 18,544,130.19 | 43,077,672.35 |
| Less: | | | |
| 4885 - Realized Losses | (472,559.65) | 0.00 | 0.00 |
| 4887 - Unrealized Losses (Decrease in Market Value) | <u>(20,657,526.31)</u> | <u>(27,761,215.53)</u> | <u>(3,066,472.03)</u> |
| Subtotal: | (21,130,085.96) | (27,761,215.53) | (3,066,472.03) |
| NET INVESTMENT INCOME: | 9,461,076.87 | (4,893,959.54) | 43,977,065.38 |
| Income Required: | | | |
| Annuity Savings Fund | 41,024.66 | 41,040.81 | 41,071.19 |
| Annuity Reserve Fund | 793,326.49 | 827,590.74 | 864,063.91 |
| Expense Fund | 762,970.43 | 914,992.26 | 821,696.46 |
| Military Service Fund | <u>0.44</u> | <u>0.44</u> | <u>0.44</u> |
| TOTAL INCOME REQUIRED: | 1,597,322.02 | 1,783,624.25 | 1,726,832.00 |
| Net Investment Income: | 9,461,076.87 | (4,893,959.54) | 43,977,065.38 |
| Less Income Required: | (1,597,322.02) | (1,783,624.25) | (1,726,832.00) |
| EXCESS INCOME CREDITED TO PENSION RESERVE FUND: | \$ 7,863,754.85 | (\$6,677,583.79) | \$42,250,233.38 |

Schedule A - Detail of Accounts Receivable and Accounts Payable

1398-Accounts Receivable:

| | |
|---|----------------------------|
| 4898 - 2000 3(8)(c) Reimbursements From Other Systems | \$ 318,866.89 |
| TOTAL RECEIVABLES: | <u>\$458,225.55</u> |

2020-Accounts Payable:

| | |
|---|----------------------------|
| 5755 - 2000 3(8)(c) Reimbursements To Other Systems | \$ 526,954.47 |
| TOTAL PAYABLES: | <u>\$526,954.47</u> |

Schedule No. 1 - Cash Account Activity During Year - MTAERS

| Description | (A) Book Value at End of Previous Year | (B) Income Reinvested/Total Deposits This Year | (C) Redeposited into Account | (D) Withdrawals During Year | (E) Book Value June 30th This Year | (F) System Not Reinvested or Redeposited | (G) Interest Due and Accrued June 30th |
|---|---|--|------------------------------------|-----------------------------------|--|---|--|
| 1040-2000 Cash Annuity - MMARS | \$ 6.93 | \$ 1,912,980.46 | — | \$ 1,912,980.46 | \$ 6.93 | — | — |
| 1050-2000 Pension Payments & Receipts - MMARS | \$ 7,470,759.79 | \$ 9,511,379.34 | — | \$ 11,293,931.92 | \$ 5,688,207.21 | — | — |
| 1052-2000 3(8)(c) & 59A Receipts - BNY Mellon Bank | — | \$ 601,717.24 | — | \$ 601,717.24 | — | — | — |
| 1062-2000 Operating Expenses - MMARS | \$ 19,992.77 | \$ 0.01 | — | — | \$ 19,992.78 | — | — |
| 1040-1070 Subtotal | \$7,490,759.49 | \$12,026,077.05 | — | \$13,808,629.62 | \$5,708,206.92 | — | — |
| 1198-2000 PRIT Cash | \$ 186,821.35 | \$ 11,440,536.27 | — | \$ 11,412,980.46 | \$ 214,377.16 | — | — |

Schedule No. 5 - Schedule of Pooled Funds - MTAERS

| PERAC Account Number | Description | (A) Market Value at End of Previous Year | (B) Contributions | (C) Reinvested Investment Income | (D) Realized Gain | (E) Realized Loss | (F) Unrealized Gain |
|----------------------------|-----------------------------|---|----------------------------|---|------------------------------|------------------------------|-------------------------------|
| 1198-2000 | MTAERS PRIT Cash Fund | \$186,821.35 | \$ 487,588.63 | \$ 33,658.88 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| 1199-2000 | MTAERS PRIT Capital Fund | <u>\$160,523,085.20</u> | <u>\$ 0.00</u> | <u>\$ 4,160,004.65</u> | <u>\$ 1,412,872.19</u> | <u>(\$ 472,559.65)</u> | <u>\$ 24,973,655.46</u> |
| TOTAL POOLED FUNDS: | | <u><u>\$160,709,906.55</u></u> | <u><u>\$487,588.63</u></u> | <u><u>\$4,193,663.53</u></u> | <u><u>\$1,412,872.19</u></u> | <u><u>(\$472,559.65)</u></u> | <u><u>\$24,973,655.46</u></u> |

| PERAC Account Number | Description | (G) Unrealized Loss | (H) Exchanges from (to) the Cash Fund | (I) Redemptions | (J) Net Fees Paid | (K) Market Value at End of Year |
|----------------------------|-----------------------------|---------------------------------|--|---------------------------------|------------------------------|---------------------------------------|
| 1198-2000 | MTAERS PRIT Cash Fund | \$ 0.00 | \$ 10,919,288.76 | (\$ 11,412,980.46) | \$ 0.00 | \$ 214,377.16 |
| 1199-2000 | MTAERS PRIT Capital Fund | <u>(\$ 20,657,526.31)</u> | <u>(\$10,919,288.76)</u> | <u>\$ 0.00</u> | <u>(\$ 762,970.43)</u> | <u>\$ 158,257,272.35</u> |
| TOTAL POOLED FUNDS: | | <u><u>(\$20,657,526.31)</u></u> | <u><u>\$ 0.00</u></u> | <u><u>(\$11,412,980.46)</u></u> | <u><u>(\$762,970.43)</u></u> | <u><u>\$158,471,649.51</u></u> |

Schedule No. 7 - Summary of Investment Related Fees - MTAERS

| Manager | Q1 FY2023 | Q2 FY2023 | Q3 FY2023 | Q4 FY2023 | Total Paid or Accrued in FY2023 | Payment Method |
|--|---------------------|---------------------|---------------------|---------------------|---------------------------------------|-------------------|
| 5304 Management Fees: | | | | | | |
| Pension Reserves | | | | | | |
| Investment Trust Fund | \$ 164,954.74 | \$ 142,627.49 | \$ 166,917.80 | \$ 174,627.50 | \$ 649,127.53 | |
| 5304 Management Fees TOTAL | \$164,954.74 | \$142,627.49 | \$166,917.80 | \$174,627.50 | \$649,127.53 | Net |
| 5305 Custodial Fees: | | | | | | |
| BNY Mellon Bank | \$ 26,099.49 | \$ 35,548.05 | \$ 23,727.54 | \$ 28,467.82 | \$ 113,842.90 | |
| 5305 Custodial Fees TOTAL | \$26,099.49 | \$35,548.05 | \$23,727.54 | \$28,467.82 | \$113,842.90 | Net |
| NET TOTAL INVESTMENT RELATED FEES AND EXPENSES: | | | | | \$762,970.43 | |

Annuity Reserve Fund Interest Calculation* - MTAERS

FY2023

| | 5750 | 5759 | Transfers Out | Recovery from Reinstatement 4750 | 3294 | Transfers In | Balance | INTEREST (Balance x .0025) |
|------------------|--------------|--------|------------------|--|--------|-----------------|-----------------|-------------------------------|
| July 1st (2022) | — | — | — | — | — | — | \$27,329,392.43 | \$ 68,323.48 |
| August 1st | \$164,005.68 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$27,165,386.75 | \$ 67,913.47 |
| September 1st | \$162,306.52 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$27,003,080.23 | \$ 67,507.70 |
| October 1st | \$161,847.61 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$26,841,232.62 | \$ 67,103.08 |
| November 1st | \$160,746.52 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$26,680,486.10 | \$ 66,701.22 |
| December 1st | \$160,556.83 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$26,519,929.27 | \$ 66,299.82 |
| January 1st | \$159,580.60 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$26,360,348.67 | \$ 65,900.87 |
| February 1st | \$158,909.13 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$26,201,439.54 | \$ 65,503.60 |
| March 1st | \$158,550.48 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$26,042,889.06 | \$ 65,107.22 |
| April 1st | \$157,614.29 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$25,885,274.77 | \$ 64,713.19 |
| May 1st | \$156,554.19 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$25,728,720.58 | \$ 64,321.80 |
| June 1st | \$156,302.82 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$25,572,417.76 | \$ 63,931.04 |
| June 30th (2023) | | | | | | | | |
| | | | | | | | | <u>TOTAL:</u> |
| | | | | | | | | <u>\$793,326.49</u> |

*See Investment Income, Page 32.

Notes on Financial Statements

Significant Accounting Policies

The accounting records of the MSERS and MTAERS are maintained on a fiscal year basis beginning January 1, 2013 under M.G.L. Chapter 32, Sec. 20, paragraph(h) in accordance with the standards and procedures established by the Executive Director of the Public Employees Retirement Administration Commission.

Annuity Savings Fund

The Annuity Savings Fund is the fund to which all members' contributions are deposited. Members withdrawing from the MSERS or MTAERS receive a refund of their total accumulated contributions and a required amount of interest. Refunds-To-Members for fiscal year 2023 were \$75.9 million. The value of the Annuity Savings Fund was \$7.39 billion as of the end of the fiscal year.

Annuity Reserve Fund

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and the Special Fund for Military Service Credit. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance. The number of new retirees for July 1, 2022 to June 30, 2023 was over 2,900 and an amount of \$432 million was transferred from the Annuity Savings Fund to the Annuity Reserve Fund. The value of the Annuity Reserve Fund was \$1.8 billion as of the end of the fiscal year.

Pension Fund

The Pension Fund maintains the amounts appropriated by the Commonwealth of Massachusetts to pay the pension portion of each retirement allowance.

Pension Reserve Fund

The Pension Reserve Fund is administered by the Pension Reserves Investment Management Board ("PRIM Board"). This Fund contains amounts appropriated by the Commonwealth of Massachusetts for the purpose of funding future retirement benefits. Any investment income in excess of the amount required to credit the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund and the Special Military Credit Fund is credited to the Pension Reserve Fund. On November 7, 1996, the Massachusetts State Teachers' and Employees' Retirement Systems Trust ("MASTERS") was merged into the Pension Reserves Investment Trust ("PRIT") Fund to form a consolidated pension fund under the management of the Pension Reserves Investment Management Board. Inactive member account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity. The value of the Pension Reserve Fund was \$25.9 billion as of the end of the fiscal year.

Military Service Fund

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces and who receive creditable service for the period of that leave. On March 10, 1993, the Military Service Fund received a state appropriation of \$117,206.94 for military service credit for the 81 members of the State Employees' Retirement System who participated in operation Desert Storm.

Interest income credited to the Military Service Fund was \$33.70. The balance in the Military Service Fund on June 30, 2023 was \$33,765.82.

Expense Fund

The Expense Fund contains amounts transferred from investment income for the purpose of administering the State Employees' Retirement System. Remaining account balances are expended in the following month.

Retirement Board Operating and Capital Spending Plans

On April 28, 2022 the State Retirement Board ("Board") unanimously approved its Operating Spending Plan for FY 2023 in the amount of \$20,365,285 to pay for operating expenses during FY 2023. The Board also approved the Capital Spending Plan for FY 2023 in the amount of \$5,650,000 to pay for capital expenses.

The operating and capital spending reports have been presented to the Board each month of fiscal year 2023.

Interest Not Refunded

Interest Not Refunded is interest forfeited by members upon withdrawal from the System prior to becoming fully vested. The interest forfeiture applies to members who commenced employment on or after January 1, 1984. The total interest not refunded transferred to Pension Reserve Fund for FY 2023 was \$96,538.36.

3(8)(c) and 59A Receipts and Disbursements

A 3(8)(c) reimbursement is the pension benefit reimbursement paid by other Massachusetts public retirement systems to MSRB for the portion of creditable service attained by a retiree who formerly contributed to another retirement system. A 59A reimbursement is similar, except such receipts represent creditable service of retired former non-contributing members. The total 3(8)(c) and 59A reimbursements received in FY 2023 for report year 2022 were \$41.9 million. The reimbursements collected are transferred to the Commonwealth of Massachusetts General Fund for purposes of reducing the state's unfunded actuarial liability. The State Employees' Retirement System's 3(8)(c) and 59A payments to other systems were \$19.7 million.

MSRB administers the recordkeeping for the 3(8)(c) and 59A obligations. Annually the Board issues invoices, collects receipts, and makes disbursements.

Legislative Funding for Pensions

The State Employees' Retirement System received \$1,477,567,291.19 in appropriation funds from the Commonwealth of Massachusetts for the fiscal year 2023. This amount includes \$1.41B for pension funding, 2015 Early Retirement Incentive Program ("ERIP") \$28.4M, and \$40.9M pursuant to Chapter 126 of the Acts of 2022.

Under the Exclusive Benefit Rule as part of Chapter 5 section 8 of the Acts of 2017, the Commonwealth's appropriation funding schedule from the General Fund to the Pension Liability Fund includes the annual administrative expenses for PERAC.

Legislative Funding for COLA Reimbursements

The Commonwealth appropriated \$14,000,000 in order to set aside COLA (Cost of Living Adjustment) reimbursements to the other retirement systems in FY 2023.

COLA reimbursements to other retirement systems during fiscal year 2023 were \$13.3 million. A balance of approximately \$22.6 million remains as of June 30, 2023.

Bad Debt Expense

This represents the State Retirement Board's authority to write off outstanding pension receivables owed on behalf of deceased retirees and survivors deemed uncollectible after three years. At the October 2022 Board Meeting, the Board approved SRB to write off \$215,295.71 for 187 accounts deemed uncollectible based on members dates of death as of June 30, 2019 and remained outstanding as of June 30, 2022.

Miscellaneous Income

Miscellaneous Income for this fiscal year is \$25,774,397.50 representing obligations assessed yearly for employer pension reimbursement revenues as authorized by M.G.L. c. 32, section 8(4)(a). This amount also includes \$17,075,691.19 transferred from the Commonwealth's Stabilization Fund (Capital Gains Tax Revenues).



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